National Castings: Gearing up for the long haul

May 10, 1982

# RAILWAY AGE

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## Amtrak girds for a new budget battle

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Corridor track pro
Nearing completion

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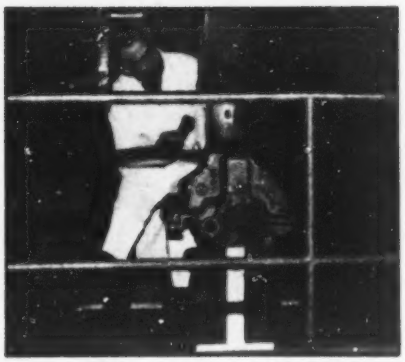

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# Amtrak and DOT: A gentlemen's disagreement

*The railroad and the government are $188 million apart on budget estimates for FY 83—but the guerrilla tactics of last year are giving way to more orderly lines of battle.*

By BILL FAHRENWALD,
Associate Editor

An odd sight greeted Rep. Adam Benjamin (D-Ind.) as he convened hearings on Amtrak before his House Appropriations subcommittee on transportation. Sitting together at the witness table were Amtrak President Alan S. Boyd and Federal Railroad Administrator Robert W. Blanchette. And both were smiling.

It wasn't because they agreed on what Amtrak's budget ought to be in FY 83. That would have meant Benjamin was in a dream. But almost as remarkable, Boyd and Blanchette had agreed to disagree on specific points; and they brought to Benjamin a cohesive if sometimes strained presentation. The accompanying table sums up their differences—the bottom line of which is that FRA is requesting a $600-million budget for Amtrak in FY 83 while Boyd has asked for the figure that was authorized in last year's budget bill, $788 million.

The simple fact that such a table can be produced stands in vivid contrast to the situation just one year ago. Then, FRA and Amtrak were firing salvos of different figures almost weekly with neither party aware of what the other would do next. Benjamin inquired of the two witnesses why the acrimony had been abandoned, at the same time congratulating them for the feat. Boyd replied, "I guess he [Blanchette] has learned a lot in a year."

Amtrak, FRA, and Congressional sources privately express the opinion that the Administration is not happy with how last year's politically damaging Amtrak battle turned out. Over 90% of Amtrak's route miles survived the relatively modest budget cut won by the Administration.

A Congressional budget analyst recently noted that in coming up with an initial federal budget, figures are generally rounded to "the nearest hundred million dollars." Since Amtrak only consumed about $735 million in federal funds last year it is clearly not a major item in the budget. In fact, it accounts for about one tenth of one percent of all federal spending.

**Where DOT and Amtrak part company on the FY 83 budget**
(all figures in millions)

| | Amtrak | DOT |
|---|---|---|
| **Assumed Operating Costs** | $1,390 | $1,390 |
| **Impact of NEC Cost Allocation by ICC** | 20 | 20 |
| | $1,410 | $1,410 |
| **Potential Savings** | | |
| Productivity and labor improvements | 70 | 70 |
| Work Rule change | 0 | 15* |
| 403 (b) state funded service | 0 | 25* |
| Sunset commuter services | 0 | 10* |
| Discontinuance of Cardinal service | 0 | 5* |
| Carryover of 1982 operating savings | 0 | 15** |
| | 70 | 140 |
| **Operating Costs (net after savings)** | $1,340 | $1,270 |
| **Operating Revenues** | 690 | 690 |
| **Revenue Shortfall** | $650 | $580 |
| **Federal funding Requests** | | |
| Operating budget | $650 | $580 |
| Capital budget | 134 | 16 |
| Labor protection | 4 | 4 |
| Totals | $788 | $600 |

*Amtrak disagrees with DOT that changes resulting in these savings are likely to be made, but agrees that the DOT figures would be correct if the changes were made.
**Amtrak wants to apply the 1982 carryover to its 1983 capital—not operating—budget.

● **"A permanent American institution."** Boyd acknowledges these facts and says that with a year's experience the Administration has "learned that [Amtrak's continuation] was in the national interest."

As a result, Boyd says, "It's my conclusion that Amtrak stabilized last year and has become a permanent American institution. What I expect to see is a continuing growth and expansion of service with some additional routes being added. Primarily, though, there will be an expansion of what I would call corridor type operations with some filling in of where we have tri-weekly service."

There are several issues to be resolved, though, before Amtrak can look comfortably to a long and healthy future. First, says Boyd, "Some form of financing must become available to support the infrastructure that is not totally subject to the vicissitudes of annual appropriations." He is not certain what form that financing could or should take, but he thinks it is critical to remove Amtrak's capital needs from annual political frays.

This year's budget debate is a typical example, with Amtrak's capital budget taking the brunt of the Administration's proposed cuts. Blanchette acknowledges the need for capital improvements within Amtrak, but he maintains that in a time of tight federal money Amtrak can afford to put off some of its plans.

Such a strategy makes Boyd and other Amtrak officials nervous. Internally, Amtrak identified nearly $250 million worth of capital improvements it would like to undertake in FY 1982. To meet the level of its authorization, it whittled that figure down to a request for $134 million. That budget would cover the purchase of 70 new Amfleet II type sleepers and food service cars, $5 million worth of locomotives to replace the aging FL9s, $50 million for right of way improvements, and $39 million for station projects.

Blanchette proposed giving Amtrak only $16 million for capital projects in FY 83. This would allow the company to meet its environmental protection obligations and to make necessary accommodations for handicapped passengers, but not much else. Boyd calls this a "short term savings at long term costs." But he thinks that Congress has made a long term commitment to Amtrak and will not allow a deferral of critical capital needs.

● **The road to self-sufficiency.** As part of

Boyd's long term plan for Amtrak, he has promised to make the company self sufficient in covering its operating costs. By 1985 he intends to make up these costs entirely out of the company's revenues. In FY 81, ridership declined 2.9%, mostly due to a big decrease in ridership along the Northeast Corridor (down 9.8%). Boyd attributes that loss mainly to cut rate air fares introduced by New York Air and poor on-time performance due to track work. Increased reliability has slowed the loss of NEC riders and Boyd is looking for a 2% gain in system-wide ridership in FY 82. He expects that various efficiencies and economies Amtrak can introduce will enable it to cover its short term costs by 1985, with one proviso.

"That relates to our own ability to maintain a reasonable capital program," says Boyd. He warns that the severe cutback in capital spending requested by DOT could increase Amtrak costs and make it impossible for the corporation to cover its out of pocket costs.

Boyd's long range goal is to be able to cover Amtrak's capital costs through a revenue diversification program. The centerpiece of that effort is the commercial development of high speed intercity corridors, but he and Lawrence Gilson, vice president, corporate development, are working on a number of other fronts, too.

Boyd ranks increasing the use of Amtrak's heavy overhaul shops at Beech Grove, Ind., as the first priority in this program. Discussions were started last year with a number of transit authorities that might be able to use the facilities for conversions and overhauls of their rail equipment. So far, no deals have been struck outside of one small order that is now being completed for New York MTA. Boyd notes, "The commuter and transit agencies have some of the same financial problems as most other people." If Amtrak's capital budget is cut back next year, Beech Grove could be in trouble.

**• The fiber optics option.** In other areas, Amtrak is seeking to develop a fiber optics communications network along NEC right of way. Gilson says he is now talking to several companies, though it is too early to tell what form any joint use might take. He hopes that construction contracts will be let in a few months.

Plans to develop commercial property at Amtrak's 30th St. Philadelphia station were apparently stymied when the newly installed Amtrak board of directors changed some of the basic rules for the development. But Gilson says, "We are pursuing it."

If enough of Amtrak's assets can be developed, Boyd and Gilson feel that the railroad will some day be able to cover its capital costs. For the time being, though, their attention is focused on the FY 83 budget, where capital costs are not the only consideration.

The other important points of dispute between Amtrak and DOT are savings that could be made to reduce Amtrak's operating costs by $70 million. Work rule changes, 100% funding by states of the 403(b) trains, full local support for the so-called sunset commuter trains, elimination of the Cardinal's deficit, and a carryover of unused 1982 operating subsidies would comprise the savings.

While there is no dispute that DOT's figures are accurate, Amtrak does question the policies behind them. Moreover, Boyd expects that the DOT cuts would result in the discontinuance of a number of state supported trains, sunset trains, and the Cardinal. But Blanchette vigorously denies that train-offs are the purpose of his proposal.

"We do not remove anything [with the budget]," he says. "We only say that the feds won't fund it. There is no dispute on the level of service [to be provided]. There is a different level of assumptions on what could happen."

These differences, then, will shape this year's congressional debate over Amtrak. A schedule is uncertain at this time, but it seems possible that Amtrak, along with others sweating out the federal budget, will see the end of the fiscal year come and go at the end of September with no solution.

**• The bets are on Amtrak.** No one can predict whether Amtrak will eventually survive the year intact, but the best informed guesses are placing Amtrak's FY 83 appropriation closer to its request for $788 million than to the Administration's $600 million. Some expect the figure to come out around Amtrak's FY 82 appropriation of $735 million. One imponderable that will affect the final budget is whether Congress decides to lift the prohibition it put on Amtrak last year against payment of local and state taxes. Boyd is concerned that such a move could subject Amtrak to liabilities and fines of up to $25 million—an amount roughly equal to the costs of operating one of the long distance western trains or five times the subsidy given the Cardinal each year. ■

## NEC track program nears completion

At the heart of Amtrak's system, the Northeast Corridor, last year was not a good one. Ridership was down in FY 81 by 9.8% and on time performance was disappointing. Between New York and Washington, for instance, trains ran on-time only about 63% of the time. But by September, when Northeast Corridor Improvement Project (NECIP) work began to slacken, that figure climbed to nearly 76%. Later, express Metroliners were inaugurated and their on time performance has been excellent. Signs for the future of NEC are looking better.

Amtrak officials expect that NECIP work this summer will not cause major disruptions in schedules. This will be the last year of major track work under NECIP, so schedules should be faster and more reliable in the future. NEC maximum speed is 110 mph, but Amtrak would like the Federal Railroad Administration to increase that limit to 120 mph. No one is certain when that might happen, though.

The major work remaining to be done is final installation of a total of 420 miles of concrete ties, trackwork in the tunnels just south of Baltimore, and construction of new maintenance facilities along the corridor. Track and tunnel work will be largely complete at the end of this work season, but construction of some maintenance bases has not yet even started.

While NEC operation may finally see the day of service undisrupted by large construction gangs, it still faces labor and commuter problems that could affect its future. As part of last year's Northeast Rail Service Act, Conrail was relieved of its responsibility to provide operating crews and commuter service within the corridor at the end of the year. Amtrak must negotiate with train and engine crews to assume their employment by that date and a separate entity, now called Commuter Services Corp., is in place to take over commuter operation if requested to do so by the various local authorities.

Major work completed to date
- 338 miles of concrete ties
- 711,000 wood ties
- 466 miles of welded rail
- 483 miles of surfacing
- 610 track panels installed in North River Tunnel

1982 track program
- 73.5 miles of concrete ties
- 21,995 wood ties
- 10.6 miles of welded rail
- 68.1 miles of undercutting
- 96.2 miles of surfacing

Clark Tyler, group vice president, passenger services and communications, Amtrak, stresses that Amtrak will pay particular attention to the T&E negotiations for NEC. Knowing that it could set the stage for the assumption of T&E crews nationwide he says, "We hope to get a cookie cutter.".

But certain aspects of the law are confusing and could leave Amtrak in a difficult position with its crews (*RA*, April 12, p. 9). Crews are to be allowed "flowback" rights under which they would be free to move between Conrail and Amtrak every six months. But crews that go to work for CS would only be allowed to move once, back to Conrail. Tyler fears that this will result in a "two way Sadie Hawkins day, which could lead to disruptions."

Tyler hopes that Congress will act to straighten out what he thinks could become a serious problem. As to the concerns over the formation of CS, Amtrak President Alan Boyd says, "I certainly don't think anything's going to fall apart there. Commuter Services is doing a good job of identifying the issues and grappling with them." Boyd shares Tyler's concern over flowbacks, though. "So much hinges on labor," he says. "If they [CS] don't deal with labor, that could create problems."

# Market

## CARLOADINGS

Loadings of revenue freight in the week ended Apr. 17 totaled 375,229 cars, according to the Association of American Railroads. This was an increase of 8,626 cars, or 2.4%, compared with the corresponding week last year. Ton-miles generated by carloadings in the week ended Apr. 17 are estimated at 16.2 billion, an increase of 1.2% above the corresponding week of 1981. The 1981 week included the Good Friday holiday and the third week of the coal miners' strike.

## REVENUE FREIGHT CARLOADINGS

| Commodity | Apr. 17 week | Apr. 10 week |
|---|---|---|
| Grain | 24,567 | 24,943 |
| Other farm products | 3,150 | 2,805 |
| Metallic ores | 20,415 | 19,344 |
| Coal | 118,916 | 113,570 |
| Crushed stone, gravel & sand | 9,181 | 8,931 |
| Nonmetallic minerals | 11,059 | 9,072 |
| Grain mill products | 10,989 | 11,020 |
| Food & kindred products | 12,781 | 11,887 |
| Primary forest products | 16,157 | 14,655 |
| Lumber & wood products (except furniture) | 5,965 | 5,629 |
| Pulp, paper & allied products | 16,335 | 15,665 |
| Chemicals & allied products | 23,427 | 21,491 |
| Petroleum products | 4,912 | 4,314 |
| Stone, clay & glass products | 10,160 | 9,253 |
| Coke | 5,199 | 5,145 |
| Metals & products | 10,456 | 9,353 |
| Motor vehicles & equipment | 14,857 | 13,006 |
| Waste & scrap materials | 8,925 | 7,631 |
| Forwarder & shipper assn. traffic | 8,240 | 8,074 |
| All other carloads | 39,359 | 37,782 |
| LCL traffic | 179 | 198 |
| **Total Cars Loaded** | **375,229** | **353,768** |
| **Cumulative total, 16 weeks** | **5,943,253** | **6,759,554** |
| **Estimated revenue ton-miles (billions), 16 weeks** | **256.6** | **286.3** |

## PIGGYBACK LOADINGS

U.S. piggyback loadings for the week ended Apr. 10, which included the Good Friday holiday, totaled 32,936 cars (0.7% below corresponding 1981 week) and 60,818 trailers or containers (up 0.6% from 1981). Cumulative volume for the first 15 weeks of 1982 is 517,179 (up 7.8% from 1981) and 909,804 trailers or containers (up 4.6% from 1981).

## CANADIAN CARLOADINGS

Canadian railway revenue freight loaded in the seven-day period ended Mar. 21 totaled 4.8 million tons (down 2.9% from 1981). Cars loaded totaled 67,875 (down 6.8% from 1981). Cumulative loadings for 1982 were 48.7 million tons (down 10.4% from 1981).

• *New York City Transit Authority*.—Is seeking bids on the supply of newly-designed car door mechanisms to replace existing unreliable and/or defective mechanisms on 897 R-27, R-28 and R-30 subway cars. The design is being done by NYCTA engineers.

• *New York Metropolitan Transportation Authority*.—Has agreed to exercise an option to purchase up to 186 additional commuter cars from the Budd Co.—provided there is no change in the leverage leasing provision of the Economic Recovery Act of 1981. If the benefits of this provision are denied MTA, the authority may cancel the order up to Aug. 1 upon payment of a cancellation fee. Budd already has an MTA order for 130 commuter cars.

• *VIA Rail Canada*.—Will purchase an additional 10 LRC trainsets from Bombardier for 1983 delivery, at a cost of approximately $100 million. This is in addition to an earlier order for 10 trainsets, each consisting of a locomotive and five cars, all of which are to be in service this summer in the Quebec City-Windsor corridor. The trains just ordered will be used in the Maritimes and in the West.

• *Freight cars and locomotives*.—The following report has been received from the AAR and the ARCI:

### DELIVERED

| | March | | February | Three months | |
|---|---|---|---|---|---|
| | 1982 | 1981 | 1982 | 1982 | 1981 |
| Built new by carbuilders | 2,032 | 4,718 | 1,526 | 5,391 | 14,183 |
| Build new in RR shops | 215 | 444 | 236 | 613 | 1,024 |
| Built new—total | 2,247 | 5,162 | 1,762 | 6,004 | 15,207 |
| Rebuilt | 148 | 136 | 124 | 382 | 321 |
| **TOTAL DELIVERED** | **2,395** | **5,298** | **1,886** | **6,386** | **15,528** |
| Locomotives (new and rebuilt) | 34 | 92 | 80 | 126 | 188 |

### ORDERED

| | | | | | |
|---|---|---|---|---|---|
| To be built new by carbuilders | 1,485 | 1,559 | 753 | 3,053 | 5,865 |
| To be built new in RR shops | 0 | 0 | 0 | 0 | 0 |
| To be built new—total | 1,485 | 1,559 | 753 | 3,053 | 5,865 |
| To be rebuilt | 0 | 300 | 0 | 0 | 600 |
| **TOTAL ORDERED** | **1,485** | **1,859** | **753** | **3,053** | **6,465** |

### ON ORDER AND UNDELIVERED

| | April 1 | | March 1 | Average Backlog | |
|---|---|---|---|---|---|
| | 1982 | 1981 | 1982 | 1982 | 1981 |
| To be built new by carbuilders | 11,546 | 38,059 | 12,218 | 12,332 | 41,158 |
| To be built new in RR shops | 1,053 | 3,480 | 1,268 | 1,275 | 3,879 |
| To be built new—total | 12,599 | 41,539 | 13,486 | 13,607 | 45,037 |
| To be rebuilt | 518 | 279 | 666 | 658 | 220 |
| **TOTAL ON ORDER** | **13,117*** | **41,818** | **14,152** | **14,265** | **45,257** |
| Locomotives (new and rebuilt) | 185 | 411 | 219 | 212 | 468 |

*Due to revisions and cancellations of some orders, the April 1, 1982 backlog has been reduced by 125 cars.